

SECTIONAL ANALYSIS AND EXPLANATION

TITLE I -- FINANCING

Section 101 amends section 111 of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, to add the following definitions:

"Fund balance" is defined as the par value of securities in which retirement money is invested plus the uninvested cash remaining in the retirement fund.

"Unfunded liability" is defined as the estimated amount needed to finance all benefits payable from the fund less the money now in the fund and to be placed in the fund in the future. These definitive terms are necessary for the implementation of the subsequent provisions of the bill; comparable definitions were added for the Civil Service by section 101(3) of Public Law 91-93.

Section 102 amends section 261 of the Act to add two new paragraphs as follows.

New paragraph (b) authorizes appropriations to the fund in equal annual installments over a 30-year period to finance any newly created unfunded liability incurred by the enactment of future legislation, or the exercise of authority based on statute, including benefit improvements

for active employees, extension of coverage to new groups of employees, general salary increases, and any new statutory annuity increases (other than automatic cost-of-living adjustments). Interest would be required to be included in these amortized payments at the rate used in the then most recent valuation of the system.

New paragraph (c) provides for direct appropriations, under permanent indefinite authority, to be made to meet the Government's obligation for (1) the present unfunded liability which arises from legislation already enacted, authority based on statute already exercised plus any that may arise as a result of Title II of this bill, and (2) the cost of military service credit. New paragraph (c) would direct the Secretary of the Treasury to pay into the fund each year: (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the system, and (2) that portion of disbursement for annuities for that year which the Director estimates is attributable to credit allowed for military service. Payments under this paragraph would commence on June 30, 1971, at 10 percent of the prescribed amount. An additional 10 percent would be paid in each subsequent year until, in 1980 and in each subsequent year, 100 percent of the prescribed amount would be paid. The Director would be required to report to the President and to the Congress the sums credited under this procedure.

Provisions identical to new paragraphs (b) and (c) with the same effective dates were adopted for the Civil Service by sections 103(a)(2) and 103(b) of P. L. 91-93 and for the Foreign Service by sections 104(a) and 104(b) of P. L. 91-201.

Section 103 amends section 252 of the Act to permit the transfer to the fund of the employer's contributions as well as the contributions of the employee when an employee is transferred from some other Government retirement system to the CIA Retirement and Disability System. In addition, it authorizes the transfer from the Agency retirement fund of the employee's and the employer's contributions whenever a participant becomes eligible for participation in any other Government retirement system. It is a new authority in Government.

TITLE II -- RETIREMENT AMENDMENTS

Section 201 amends section 204(b)(3) of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees, as amended, to eliminate the requirement that a child be dependent upon a parent participant in order to receive a survivor annuity, to raise from 21 to 22 the maximum age for receiving survivor annuity payments as a student, to increase from 4 to 5 the maximum months absence from school which may be permitted without terminating such a survivor annuity, and to permit a natural child of a deceased participant to share in the distribution

of any money or deposit in the CIA Retirement and Disability Fund which belongs to the deceased participant. Similar changes in the administration of the Civil Service retirement system were approved during the 89th Congress by amendment to the Civil Service Act, P. L. 89-407, and the "Civil Service Retirement Act Amendments of 1966" set forth in P. L. 89-504.

Section 202 amends section 221(e) of the Act to provide for the commencement and termination date for a child survivor annuity and to assure that the survivor annuity of a student may be granted even though it had previously been terminated. A similar provision is contained in the Civil Service Retirement Act Amendments of 1966, Sec. 506(d), P. L. 89-504.

Section 203 amends section 221 of the Act by adding new paragraphs (g), (h), and (i) as follows.

New paragraph (g) authorizes the payment of annuities from the fund as soon as a participant otherwise eligible for an annuity enters non-pay status and incorporates specific provisions for commencement of annuities to survivors, conforming to the Civil Service provision set forth at 5 U.S.C. 8345(b).

New paragraph (h) incorporates specific provisions for the termination of annuities to retirees and survivors, conforming to the Civil Service provision set forth at 5 U.S.C. 8345(c).

New paragraph (i) provides an option to credit prior civilian service for which no deductions have been made by reducing the resulting annuity by 10 percent of the amount owed, conforming to the Civil Service provision set forth at 5 U.S.C. 8339(h).

Section 204 amends section 236 of the Act to repeal the present limit on the number of retirements authorized during the period 1 July 1969 through 30 June 1974. It is estimated that the limit of 400, which applies to all retirements except disability, will be reached in fiscal year 1973. Under these circumstances orderly retirement planning cannot proceed. The limit on number of retirements was established in the Act only for the first ten years of the operation of the retirement system and the numerical limitations placed in the Act were based upon the best estimates that were available at that time assuming a stable rather than a reducing work force.

Section 205 amends section 252 of the Act by adding a new paragraph to grant to survivors the same right afforded participants to purchase prior civilian service. This change conforms to the Civil Service provision as set forth in 5 U.S.C. 8334(h).

Section 206 amends section 273(a) of the Act to permit an annuitant retired under the Act to receive his full salary upon reemployment in the Federal Government service subject to a maximum limitation of combined salary and annuity in the amount of his salary at the time of retirement. Agency retirees, with few exceptions, need to seek a second career and may well desire such a career elsewhere in Government. CIA employees do not acquire status in the competitive service, however, and much of their experience and competence cannot readily be related to normal Government positions. The total offset of annuity upon reemployment in Government service, as it is now required tends to limit second career employment opportunities for CIA retirees to the private sector. It thus tends to deny to the Government the services of individuals who, even though they have completed their CIA careers, are highly competent. Retirees under the CIA Retirement and Disability System have earned their annuities at the time when they retire. This principle appears to have been established for the reserve military officer, and more recently, the retired regular military officer, and for the retired Foreign Service Officer. With respect to retired military officers a reservist can retain both his civilian salary and his entire annuity, and a regular officer can retain his salary plus the first \$2,359.87 (presently) of his annuity and 50 percent of the balance thereof.